

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO**

**ELECTRONIC RECEIPTS DELIVERY
SYSTEMS, LLC,**

Plaintiff,

v.

THE CHILDREN’S PLACE, INC.,

Defendant.

Civil Action No.: 5:20-cv-00775-BYP

TRIAL BY JURY DEMANDED

FIRST AMENDED COMPLAINT FOR INFRINGEMENT OF PATENT

Now comes, Plaintiff, Electronic Receipts Delivery Systems, LLC (“Plaintiff” or “ERDS”), by and through undersigned counsel, and respectfully alleges, states, and prays as follows:

NATURE OF THE ACTION

1. This is an action for patent infringement under the Patent Laws of the United States, Title 35 United States Code (“U.S.C.”) to prevent and enjoin Defendant The Children’s Place, Inc. (hereinafter “Defendant” or “The Children’s Place”), from infringing and profiting, in an illegal and unauthorized manner, and without authorization and/or consent from Plaintiff from U.S. Patent No. 8,820,635 (“the ‘635 Patent” or the “Patent-in-Suit”), which is attached hereto as Exhibit A and incorporated herein by reference, and pursuant to 35 U.S.C. §271, and to recover damages, attorney’s fees, and costs.

THE PARTIES

2. Plaintiff is a Texas limited liability company with its principal place of business at 1801 NE 123 Street – Suite 314, Miami, Florida 33181.

3. Upon information and belief, Defendant is a corporation organized under the laws of Delaware, having a principal place of business at 500 Plaza Drive, Secaucus, New Jersey 07094. Defendant has a physical presence in this judicial district by operating a store at 3265 West Market Street, Akron, Ohio 44333, among others. Upon information and belief, Defendant may be served with process c/o Corporation Service Company, 50 West Broad Street – Suite 1330, Columbus, Ohio 43215.

4. Defendant has done and continues to do business in this judicial district, including, but not limited to, providing products/services to customers located in this judicial district.

JURISDICTION AND VENUE

5. This is an action for patent infringement in violation of the Patent Act of the United States, 35 U.S.C. §§1 *et seq.*

6. The Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §§1331 and 1338(a).

7. This Court has personal jurisdiction over Defendant by virtue of its systematic and continuous contacts with this jurisdiction and its residence in this District, as well as because of the injury to Plaintiff, and the cause of action Plaintiff has risen in this District, as alleged herein.

8. Defendant is subject to this Court's specific and general personal jurisdiction pursuant to its substantial business in this forum, including: (i) at least a portion of the infringements alleged herein; (ii) regularly doing or soliciting business, engaging in other persistent courses of conduct, and/or deriving substantial revenue from goods and services provided to individuals in this forum state and in this judicial District; and (iii) having a physical presence in this District.

9. Venue is proper in this judicial district pursuant to 28 U.S.C. §1400(b) because Defendant resides in this District under the Supreme Court’s opinion in *TC Heartland v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017) through its regular and established place of business in this District.

FACTUAL ALLEGATIONS

10. On September 2, 2014, the United States Patent and Trademark Office (“USPTO”) duly and legally issued the ‘635 Patent, entitled “PROCESSING A TRANSACTION BY A TERMINAL” after a full and fair examination. The ‘635 Patent is attached hereto as Exhibit A and incorporated herein as if fully rewritten.

11. Plaintiff is presently the owner of the ‘635 Patent, having received all right, title and interest in and to the ‘635 Patent from the previous assignee of record. Plaintiff possesses all rights of recovery under the ‘635 Patent, including the exclusive right to recover for past infringement.

12. The invention claimed in the ‘635 Patent comprises a method for processing a transaction (Claim 1), a system for processing a transaction (Claim 6), and a compute readable storage medium to process a transaction (Claim 11).

13. Prior to the issuance of the ‘635 Patent, credit cards were a huge business and a large part of the world economy. Ex. A, 1:26-27. Credit cards can be basically broken down into three categories: national/universal cards such as MasterCard™ and Visa™; travel and entertainment cards such as American Express™ and Diners Club™; and local merchant/house cards that each store separately issues for their stores or the brands in their store chain. Ex. A, 1:27-35.

14. The '635 Patent indicates that, one of the main reasons customers do not sign up for individual store accounts, e.g., a merchant/house accounts, is that they do not wish to carry an individual credit card for each and every store. Ex. A, 1:57-60. It is far easier to just keep one or two national credit cards that can be used at hundreds of merchants, then many merchant/house cards that must be carried. Ex. A, 1:60-62. In some cases, if a customer does not have his store card, a store will allow the customer to show a driver's license or other identification and they will look up the customer's account number; but in many cases this takes a great deal of time during check-out, if it can be done at all. Ex. A, 1:62-67.

15. The '635 Patent identified that another reason that customers will not sign up for individual store accounts is that the sign up and approval process takes time. Ex. A, 2:1-3. While the sign up and approval for most merchants is very automated, it is still a cumbersome and time consuming process that many people are not prepared to go through particularly when the merchant is trying to get them to sign up on the spur of the moment during the check-out process. Ex. A, 2:3-7.

16. To solve this deficiency and address this need, the '635 Patent identified a system and method processing a transaction by a terminal.

17. The '635 Patent provides improvements to then existing computer network functionality.

18. The '635 Patent's advantages and benefits are inventive, unexpected and superior because it provides improvements to existing computer functionality, provides specific non-conventional and non-generic arrangements of known, conventional pieces to overcome an existing problem; provides ordered combination of claimed steps in the receiver using

unconventional rules that are different than previously used; and provides improved technological results.

19. The '635 Patent contains 20 claims, three of which are independent claims, namely Claims 1, 6, and 16.

20. Claim 1 of the '635 Patent states:

“1. A method of processing a transaction, comprising:
receiving, by a terminal, first payment information for a transaction, wherein the first payment information is associated with a first account;
receiving, by the terminal, an indication of a second account to be charged for the transaction;
transmitting, by the terminal, the first payment information and the indication of the second account to a database, wherein the database is configured to store an indication that the second account is linked to the first account;
receiving, from the database, second payment information associated with the second account in response to determining that the second account is linked to the first account in the database; and
initiating, by the terminal, a charge for the transaction using the second payment information.” See Ex. A.

21. Claim 1 of the '635 Patent recites a non-abstract method for processing a transaction.

22. Claim 1 of the '635 Patent provides the practical application of a method for processing a transaction.

23. Claim 1 of the '635 Patent provides an inventive step for processing a transaction to address the deficiencies and needs identified in the Background section of the '635 Patent. See Ex. A.

24. In support of the independent claims, the '635 Patent identified that once a second payment account is created, the holder will be able to charge transactions to the second payment

account without having the second payment physically on their person. Ex. A, 7:28-30. Referring to FIG. 5, when a holder conducts a subsequent transaction, the holder (at the time of purchase) will indicate that they have a second payment account. Ex. A, 7:31-33. Then, the customer will be asked to present the first payment account that he used to sign up for the second payment account or any other national credit card that has been cross associated in database 106. Ex. A, 7:34-37. The holder will present their first payment account, the point-of-sale terminal 102 will read the card, and transmit this information to the database 106 (step 502). Ex. A, 7:37-39. The terminal 102 will look up the number of the first payment account (step 504), and then check to see if a second payment account is cross associated with this first payment account (step 506). Ex. A, 7:39-43. If the second payment account is associated with the first payment account, then the second payment account will be processed for credit card approval using the standard approval techniques and protocols that the merchant or approval company maintains (step 508). Ex. A, 7:44-47.

25. Claim 1 in the '635 Patent specifically identifies how the improved computer functionality is carried out in an unexpected way for payment processing by enabling a payment to be initiated by a second payment information account after having originally been identified with a first account.

26. Claim 1 of the '635 Patent addressed the need for an improved payment method and system that overcomes one or more of the aforementioned disadvantages of prior art payment transaction system systems, which are a computer centric technology.

27. Specifically, to deal with the payment transactions being subject to cumbersome transaction process (Ex. A, 2:3-7), the method of Claim 1 in the '635 patent requires (a) receiving, by a terminal, *first payment information* for a transaction, wherein the first payment information

is associated with a first account; (b) receiving, by the terminal, an indication of a second account to be charged for the transaction; (c) transmitting, by the terminal, the first payment information and the indication of the second account to a database, wherein the database is configured to store an indication that the second account is linked to the first account; (d) receiving, from the database, second payment information associated with the second account in response to determining that the second account is linked to the first account in the database; and (e) initiating, by the terminal, a charge for the transaction using the second payment information. These specific elements (i.e., first payment information associated with a first account, an indication of a second account to be charged, transmitting the first payment information and the indication, receiving second payment information responsive to a linkage determination, and initiating the charge based with the second payment information), as combined, accomplish the desired result increasing check-out / transaction efficiency, decreasing wait time, and increasing the ability to sign up more customers for house accounts. Also, these specific elements, as combined, accomplish the desired result of increased transaction processing efficiency for the customer by the terminal by not requiring the customer to physically carry to multiple forms of payment. Further, these specific elements also accomplish these desired results to overcome the then existing problems in the relevant field of payment/transactions systems. *Ancora Technologies, Inc. v. HTC America, Inc.*, 908 F.3d 1343, 1348 (Fed. Cir. 2018) (holding that improving computer security can be a non-abstract computer-functionality improvement if done by a specific technique that departs from earlier approaches to solve a specific computer problem). See also *Data Engine Techs. LLC v. Google LLC*, 906 F.3d 999 (Fed. Cir. 2018); *Core Wireless Licensing v. LG Elecs., Inc.*, 880 F.3d 1356 (Fed. Cir. 2018); *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299 (Fed. Cir. 2018); *Uniloc USA, Inc. v. LG Electronics USA, Inc.*, 957 F.3d 1303 (Fed. Cir. April 30, 2020)

28. Claims need not articulate the advantages of the claimed combinations to be eligible. *Uniloc USA, Inc. v. LG Elecs. USA, Inc.*, 957 F.3d 1303, 1309 (Fed. Cir. 2020)

29. These specific elements (i.e., first payment information associated with a first account, an indication of a second account to be charged, transmitting the first payment information and the indication, receiving second payment information responsive to a linkage determination, and initiating the charge based with the second payment information) were an unconventional arrangement of elements because the prior art methodologies would simply use single payment accounts that could be selected by a customer, without having the indication of a linked second account. By adding the specific elements (i.e., first payment information associated with a first account, an indication of a second account to be charged, transmitting the first payment information and the indication, receiving second payment information responsive to a linkage determination, and initiating the charge based with the second payment information), Claim 1 of the '635 Patent was able to unconventionally generate a method for processing a payment transaction. *Cellspin Soft, Inc. v. FitBit, Inc.*, 927 F.3d 1306 (Fed. Cir. 2019)

30. Further, regarding the specific non-conventional and non-generic arrangements of known, conventional pieces to overcome an existing problem, the method of Claim 1 in the '635 Patent provides a method for processing a payment transaction that would not preempt all ways of processing a payment transaction because any one the elements of the first payment information associated with a first account, an indication of a second account to be charged, transmitting the first payment information and the indication, receiving second payment information responsive to a linkage determination, and initiating the charge based with the second payment information could be removed or performed differently to permit a method of processing a payment transaction in a network in a different way. *Bascom Global Internet Servs., Inc. v. AT&T Mobility LLC*, 827

F.3d 1341 (Fed. Cir. 2016); See also *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)

31. Based on the allegations, it must be accepted as true at this stage, that Claim 1 of the ‘635 Patent recites a specific, plausibly inventive way of processing a payment transaction using specific protocols rather than the general idea of paying a vendor. *Cellspin Soft, Inc. v. Fitbit, Inc.*, 927 F.3d 1306, 1319 (Fed. Cir. 2019), *cert. denied sub nom. Garmin USA, Inc. v. Cellspin Soft, Inc.*, 140 S. Ct. 907, 205 L. Ed. 2d 459 (2020).

32. Alternatively, there is at least a question of fact that must survive the pleading stage as to whether these specific elements of Claim 1 of the ‘635 Patent (i.e., first payment information associated with a first account, an indication of a second account to be charged, transmitting the first payment information and the indication, receiving second payment information responsive to a linkage determination, and initiating the charge based with the second payment information) were an unconventional arrangement of elements. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018) See also *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018), *cert. denied*, 140 S. Ct. 911, 205 L. Ed. 2d 454 (2020).

33. Defendant commercializes, inter alia, methods that perform all the steps recited in at least one claim of the ‘635 Patent. More particularly, Defendant commercializes, inter alia, methods that perform all the steps recited in Claim 1 of the ‘635 Patent. Specifically, Defendant makes, uses, sells, offers for sale, or imports a method that encompasses that which is covered by Claim 1 of the ‘635 Patent.

DEFENDANT’S PRODUCT

34. Defendant offers solutions, such as the “The Children’s Place My Place Rewards” (the “Accused Product”), that enables or practices a method of processing a transaction. A non-

limiting and exemplary claim chart comparing the Accused Product of Claim 1 of the '635 Patent is attached hereto as Exhibit B and incorporated herein as if fully rewritten. Namely, The Accused Product practices a method of processing a transaction (e.g. An authorized buyer able to make purchases on a primary account holder).

35. As recited in Claim 1, a system, at least in internal testing and usage, utilized by the Accused Product practices a receiving, by a terminal, first payment information for a transaction, wherein the first payment information is associated with a first account (e.g. When purchasing in a The Children's Place store, the authorized buyer able to receive the first payment information associated with a first account into their banking app form a terminal in the store). See Ex. B.

36. As recited in one step of Claim 1, the system, at least in internal testing and usage, utilized by the Accused Product practices receiving, by the terminal, an indication of a second account to be charged for the transaction. (e.g. During the purchase, an indication of primary account will receive, which is charged for the transaction). See Ex. B.

37. As recited in another step of Claim 1, the system, at least in internal testing and usage, utilized by the Accused Product practices transmitting, by the terminal the first payment information and the indication of the second account to a database, wherein the database is configured to store an indication that the second account is linked to the first account (e.g. During the access, the first payment information and the information regarding authorized buyer account linked to the primary account is transmitted and stored into a database). See Ex. B.

38. As recited in another step of Claim 1, the system, at least in internal testing and usage, utilized by the Accused Product practices receiving, from the database, second payment information associated with the second account in response to determining that the second account

is linked to the first account in the database (e.g. After determining that the authorized buyer account linked to the primary account in the database, a second payment information associated to the primary account is received). See Ex. B.

39. As recited in another step of Claim 1, the system, at least in internal testing and usage, utilized by the Accused Product practices initiating, by the terminal, a charge for the transaction using the second payment information (e.g. the primary account is charged for the transaction using the second payment information). See Ex. B.

40. The elements described in the preceding paragraphs are covered by at least Claim 1 of the '635 Patent. Thus, Defendant's use of the Accused Product is enabled by the method described in the '635 Patent.

INFRINGEMENT OF THE PATENT-IN-SUIT

41. Plaintiff realleges and incorporates by reference all of the allegations set forth in the preceding paragraphs

42. In violation of 35 U.S.C. § 271, Defendant is now, and has been directly infringing the '635 Patent.

43. Defendant has had knowledge of infringement of the '635 Patent at least as of the service of the present Complaint.

44. Defendant has directly infringed and continues to directly infringe at least one claim of the '635 Patent by using, at least through internal testing or otherwise, the Accused Product without authority in the United States, and will continue to do so unless enjoined by this Court. As a direct and proximate result of Defendant's direct infringement of the '635 Patent, Plaintiff has been and continues to be damaged.

45. Defendant has induced others to infringe the '635 Patent by encouraging infringement, knowing that the acts Defendant induced constituted patent infringement, and its encouraging acts actually resulted in direct patent infringement.

46. By engaging in the conduct described herein, Defendant has injured Plaintiff and is thus liable for infringement of the '635 Patent, pursuant to 35 U.S.C. § 271.

47. Defendant has committed these acts of infringement without license or authorization.

48. As a result of Defendant's infringement of the '635 Patent, Plaintiff has suffered monetary damages and is entitled to a monetary judgment in an amount adequate to compensate for Defendant's past infringement, together with interests and costs.

49. Plaintiff will continue to suffer damages in the future unless Defendant's infringing activities are enjoined by this Court. As such, Plaintiff is entitled to compensation for any continuing and/or future infringement up until the date that Defendant is finally and permanently enjoined from further infringement.

50. Plaintiff reserves the right to modify its infringement theories as discovery progresses in this case; it shall not be estopped for infringement contention or claim construction purposes by the claim charts that it provides with this Complaint. The claim chart depicted in Exhibit B is intended to satisfy the notice requirements of Rule 8(a)(2) of the Federal Rule of Civil Procedure and does not represent Plaintiff's preliminary or final infringement contentions or preliminary or final claim construction positions.

DEMAND FOR JURY TRIAL

51. Plaintiff demands a trial by jury of any and all causes of action.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for the following relief:

- a. That Defendant be adjudged to have directly infringed the '635 Patent either literally or under the doctrine of equivalents;
- b. An accounting of all infringing sales and damages including, but not limited to, those sales and damages not presented at trial;
- c. That Defendant, its officers, directors, agents, servants, employees, attorneys, affiliates, divisions, branches, parents, and those persons in active concert or participation with any of them, be permanently restrained and enjoined from directly infringing the '635 Patent;
- d. An award of damages pursuant to 35 U.S.C. §284 sufficient to compensate Plaintiff for the Defendant's past infringement and any continuing or future infringement up until the date that Defendant is finally and permanently enjoined from further infringement, including compensatory damages;
- e. An assessment of pre-judgment and post-judgment interest and costs against Defendant, together with an award of such interest and costs, in accordance with 35 U.S.C. §284;
- f. That Defendant be directed to pay enhanced damages, including Plaintiff's attorneys' fees incurred in connection with this lawsuit pursuant to 35 U.S.C. §285; and
- g. That Plaintiff be granted such other and further relief as this Court may deem just and proper.

Dated: June 3, 2020

Respectfully submitted,

SAND, SEBOLT & WERNOW CO., LPA

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ATTORNEY FOR PLAINTIFF

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy has been electronically filed using the CM/ECF filing system, which automatically sends email notifications to all counsel of record and which will permit viewing and downloading of same from the CM/ECF system on June 3, 2020.

/s/ Howard L. Wernow

Howard L. Wernow